



**In Opposition to Oregon HB 2680: Canadian Bulk Purchasing Program
February 19, 2019**

Position: The Pharmaceutical Research and Manufacturers of America (PhRMA) respectfully opposes HB 2680, bulk purchasing legislation that would allow the state to coordinate with Canadian provinces or territories to purchase pharmaceutical products in large quantities. HB 2680 cannot guarantee that consumers in Oregon will be kept safe from dangerous counterfeit drugs through the importation process that the bill would create, thereby ignoring the potential cost to the state to implement such an importation scheme.

Discussions about the cost and affordability of medicines are important. No patient should have to worry about whether they can afford the health care they need. Therefore, the notion that buying medicines in bulk and creating a structure to import them from Canada to the residents of Oregon is flawed and dangerous. Prescription medicines are not the primary driver of health care cost growth and account for less than 7 percent of Medicaid spend. Medicines provide enormous cost savings to the health care system overall, leading to fewer physician visits, hospitalizations, surgeries and other preventable procedures – all of which translate to lower health care costs. New medicines are making crucial contributions to medical advances, changing the direction of healthcare as we know it. This bill is also likely to skew discussions of policy issues in ways that are systematically biased against innovation.

This proposal would create an importation process by allowing negotiation and purchase of medicines from Canada. Importation is dangerous for the residents of Oregon and ignores the best available data that shows there is no way to guarantee that the medicines purchased from Canada originated from a safe source, which would expose patients to medicines that fall outside the United States' safe and regulated secure supply chain of distribution. Furthermore, importation is a bad idea that has repeatedly failed in the states, such as Illinois Wisconsin, Missouri, Kansas, Vermont and Hawaii. After a launched importation scheme called I-Save-Rx, the report demonstrated that it cost more than \$1 million to implement and was used by less than 5,000 people across the six states¹.

The Canadian Bulk Purchasing Proposal (HB 2680) could limit the choice of medicines for providers and patients if their preferred therapy is not covered. HB 2680 is a one-sided approach that also ignores important safety considerations in effort to save money.

Aside from the safety issues, bulk purchasing in general has significant risks and tradeoffs. Bulk purchasing arrangements between Oregon and Canadian provinces would likely result in practices such as reduced

¹ 2006 Illinois State Auditor report: "Report Digest: Management Audit of the I-Save-Rx Program" September 2006:
<http://www.auditor.illinois.gov/Audit-Reports/Performance-Special-Multi/Performance-Audits/FY06-Flu-Vaccine-ISaveRX-MGMT-digest.pdf>

formularies that offer fewer medicines on the preferred drug lists, which can negatively impact patients and prevent the overall reduction of expenditures because of emergency room visits and hospital admissions would increase if the patient is unable to get the treatment that their healthcare provider wants them to have. There would also likely be frequent renegotiation that would lead to abrupt changes in treatment for the patient.

HB 2680 ignores the value of innovation and could harm the market, as well as future research and development.

The legislation does not account for the value provided by innovative therapies and could reduce the incentives for research and development. It takes an average of 10 to 12 years to bring a drug to market and more than \$2.6 billion in costs. It is important to remember that these advances help control health care spending. For example, in 2014, a new drug came to the market that provided a cure for more than 90% of patients with hepatitis C, eliminating a lifetime of hospitalizations, debilitating symptoms, and treatments with harsh side effects and replacing it with a complete cure in just 12 weeks. Often, patients with hepatitis C need liver transplants, which could cost almost \$500,000. Since 2014, several new treatment/cures have come to the market, further driving down the price of the medicine. Clearly, innovation and progress in the pharmaceutical industry means better outcomes and quality of life for patients and their families, as well as reduced healthcare costs to patients and the system.

A 2017 study on the biopharmaceutical supply chain found that the percent of branded drug spend going to supply chain entities has gone up over the last three years while the amount realized by the manufacturer has decreased. The same report found that manufacturers only realized 47% of net drug expenditures in 2015.^{2[1]} HB 1224 overlooks the critical role supply chain entities have on overall prescription drug spending and only focuses on manufacturers which realize less than half of these dollars.

If the intent of HB 2680 is to improve access and affordability to needed medicines, the bill is misguided.

The legislation is misguided and could result in unintended consequences. If the intent is to help patients better afford prescription medicines while driving down the overall cost of healthcare, this bill will in no way serve that purpose. The legislation does nothing to address how much consumer safety would be at risk, not to mention the unintended healthcare costs for the state to structure and implement such a program.

The biopharmaceutical industry is committed to working with Oregonian lawmakers, patients, doctors, and other health care stakeholders to pursue policies that promote innovations and help ensure consumers have access to needed medicines. However, HB 2680 is not the way to accomplish this important goal and, therefore, PhRMA respectfully urges lawmakers to oppose this bill.

The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country's leading innovative biopharmaceutical research companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Since 2000, PhRMA member companies have invested more than \$600 billion in the search for new treatments and cures, including an estimated \$71.4 billion in 2017 alone.

[1] http://www.thinkbrg.com/media/publication/863_Vanderveide_PhRMA-January-2017_WEB-FINAL.pdf